

SUBCOMMITTEE NO. 2

Agenda

Sheila Kuehl, Chair
Bob Dutton
Alan Lowenthal



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Part II - Agenda

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Resources—Environmental Protection—Energy

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0540 Secretary for Resources

1. California Coastal Impact Assistance Program

May Revision. The May Revision proposes to reappropriate federal grants originally appropriated in 2002 to complete 37 coastal projects to mitigate outer-continental oil and gas production. The Secretary estimates that approximately \$5.5 million of the \$10 million originally allocated for state projects will be expended by the end of the current year. The May Revision also proposes to make a technical correction to delete unnecessary budget bill language related to this program.

Staff Comments. The Secretary indicates that these projects have been delayed due to bad weather and delays in identifying state monies to match federal grants. Furthermore, the Secretary expects that several of the projects will come in under budget in the budget year and the department proposes to allocate the savings to additional mitigation projects. The restoration efforts are being undertaken by the Resources Agency in conjunction with the State Coastal Conservancy, the California Coastal Commission, the San Francisco Bay Conservation and Development Commission, the Department of Parks and Recreation, the Department of Fish and Game, and the Department of Boating and Waterways.

Staff Recommendation. Staff recommends that the Subcommittee approve this May Revision proposal.

3340 California Conservation Corps

1. Bond Funds

May Revision. The May Revision includes the following proposals to allocate additional bond funds to the local conservation corps:

- **Proposition 12.** The May Revision proposes to revert \$237,000 in bond funds that were appropriated in 2003-04 but have not been utilized. These funds are proposed to fund California Conservation Corps resource conservation projects (\$131,000) and grants to local conservation corps (\$106,000).
- **Proposition 40.** The May Revision proposes to reappropriate \$193,000 in bond funds that will not be expended before the end of the fiscal year. These funds are for grants to the Tulare County Conservation Corps and the East Bay Conservation Corps for acquisition and development of facilities that support their local conservation corps.

Staff Recommendation. Staff recommends that the Subcommittee approve this May Revision proposal.

3460 Department of Conservation (DOC)

1. Beverage Container Recycling Program

Background. The DOC's Division of Recycling administers the California Beverage Container Recycling and Litter Reduction Act (commonly referred to as the bottle bill) to achieve and maintain high recycling rates for beverage containers included in the program. The DOC provides a number of services to achieve these goals, including enforcement, auditing, grant funding, technical assistance, and education. Revenues to the Beverage Container Recycling Fund increased 40 percent in 2004-05 due to implementation of legislation (AB 28, Jackson) enacted in 2003 increasing the deposit for beverage containers sold in California.

Governor's Budget and Finance Letter. The Governor's Budget proposes \$904,000 from the Beverage Container Recycling Fund to fund eight 2-year limited-term positions to combat fraud in the Beverage Container Recycling Program. The Finance Letter (dated March 30, 2006) proposes \$5.2 million in one-time funds from the Beverage Container Recycling Program to support the implementation of an integrated information technology system for the Division of Recycling (DORIIS) to improve the department's ability to provide timely remittances and to detect fraud.

Previous Subcommittee Action. At the April 24 meeting of the Subcommittee, staff was directed to work with the department, the LAO, and DOF to develop a project to increase grants to the California Conservation Corps and local conservation corps to increase recycling activities. The Subcommittee also approved the budget and Finance Letter proposals for this program.

Staff Comments. Due to lagging recycling rates (i.e. more containers are sold with the deposit paid on them than there are containers recycled), the Beverage Container Recycling Fund is expected to carry an overall fund balance of \$429 million. The department has had a large surplus balance over the last several years and, beginning in 2002-03, about \$325 million total was loaned to the General Fund to address the budget problem. The majority of these loans require repayment by 2008-09. Repayment of these loans will add further to the growing balance.

In view of the surplus in the fund, and the Act's statutory mission to increase recycling to achieve an 80% recycling rate, staff finds that the Subcommittee should allocate funds to additional activities that will increase recycling in the state.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve trailer bill language to allocate excess funding in the Beverage Container Recycling Program to increase recycling rates to achieve the 80 percent recycling goal.

3540 Department of Forestry and Fire Protection

1. Urban Forestry

Governor's Budget. The Governor's budget proposes to expend \$1.4 million from Proposition 12 bond funds for urban forestry grants and funding to support the program.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, staff was directed to work with the LAO, DOF and the department to work on a plan to accelerate the allocation of Proposition 12 and Proposition 40 bond funds for urban forestry projects.

Eligibility of Bond Funds. Staff finds that Proposition 40 bond funds can be expended on a wider array of urban forestry activities than the Proposition 12 bond funds. For example, Proposition 12 bond funding is limited to tree planting and up to three years of maintenance expenditures, whereas Proposition 40 bond funding can be used more broadly to support the California Urban Forestry Act of 1978. The California Urban Forestry Act of 1978 envisioned that the department would help local governments develop urban tree plans and best management practices for tree planting so that water and energy efficiency were maximized by urban forestry programs.

Staff Comments. Staff finds that there is considerable demand for urban forestry grants and a significant need for some money to develop basic guidelines and best management practices to ensure that energy efficiency and water use efficiency are considered when trees are planted in urban environments. These types of grants are eligible for funding under the Proposition 40 guidelines. The development of guidelines and best management practices for urban areas across the state will ensure that future funds allocated to urban forestry are expended so as to maximize the environmental benefits of the program. A resources bond initiative that is likely to be on the ballot in November contains \$90 million for urban forestry programs.

Department Response. The department has indicated to staff that it could expend \$3 million in additional bond funding in the budget year for urban forestry grants. Furthermore, the department indicates that, because of the limitations it has on administrative costs, it does not have the capability to run a program that allocates many small grants. Therefore, it plans on working with established groups in urban areas to develop programs.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve \$3 million in additional Proposition 40 bond funds for urban forestry grants and to support the program (\$136,000 to fund 1.2 additional positions to expand management of the program).
- Approve budget bill language to clarify that the department must implement the grants consistent with the priorities set out in the California Urban Forestry Act of 1978.

2. Forestry Program

Governor's Budget. The Governor's Budget estimates that \$15 million in revenue will be generated from the sale of forest products harvested on state forest land (Forest Resources Improvement Fund [FRIF] revenues) in the current and budget years combined. The budget proposes to expend \$4.7 million of these revenues to support forestry programs in 2006-07.

May Revision. The May Revision proposes to increase funding for the department's forestry programs by \$9 million from revenues generated by harvesting timber at state-owned forests (FRIF revenues). This increase in funding will be used to fund 20 new positions, 6.5 existing positions that have been funded with federal funds, maintenance of roads on Jackson State Forest, and other contracts. This proposal would increase funding for the department's forestry programs to \$13.6 million, which is completely funded from timber harvesting on state forest lands. Programs funded include the following:

- Management of state demonstration forests.
- State nursery and seed bank program.
- State and Federal forestry assistance programs with the goal of reducing wildland fuel loads and improving health and productivity of private forest lands.
- California Forest Improvement Program that provides cost-share assistance to landowners for projects that improve the health of the forest.
- Urban Forestry Program that provides support to local governments and nonprofits to manage and promote urban forests.
- Pest Management Program.
- Fire and Resource Assessment Program that collects data on California's forests and rangelands to help landowners and agencies make resource management decisions.

The May Revision proposal also requires the department to repay \$5 million in loans from the General Fund used to support forestry programs at the department in 2003-04 and 2005-06. These loans were required when litigation regarding timber harvesting at Jackson State Forest dramatically reduced timber harvest revenues from state forests.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, funding for the department's forestry programs was held open pending additional information about the Board's decision on the Jackson State Forest EIR. The Subcommittee also directed staff to develop options for funding forestry programs in the budget year.

Justification. The department has historically funded its forestry programs at a level of about \$15 million annually. However, since litigation shut down timber harvesting on the Jackson State Forest, revenues from timber sales on state forests were dramatically reduced and so was funding for state forestry programs. State forestry programs are critical to the conservation and health of our forestlands. These programs assist landowners in preventing forest fires that will destroy timber resources. These programs also help landowners with the reforestation process and assessment programs which serve as the basis for regulatory decisions related to timber harvests.

Staff Comments. Staff finds that funding sources for forestry programs must be more diversified. The FRIF funds are an appropriate funding source, but should not necessarily be linked to the amount of FRIF revenues in any given year. Appropriate funding sources include the General Fund, Environmental License Plate Fund revenues, and timber harvest plan fee revenues.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the staffing and expenditures proposed in the Governor's Budget and May Revision proposals.
- Approve trailer bill language to require that all revenues from the state forests deposited in the FRIF account be transferred to the General Fund except for those funds needed to manage state forest lands. (Trailer bill language should include a provision for annual reporting to the Legislature on the total revenues generated on state forest land.)
- Approve corresponding amendments to the budget bill (increase General Fund revenues, increase General Fund support for forestry programs, reduce FRIF support of the department).
- Reject proposal to require repayment of the General Fund loans and forgive these loans.

3. Off-Season Fire Protection Statewide

Governor's Budget. The Governor's Budget includes \$37 million in General Fund monies to fund increased employee compensation costs associated with funding year-round fire protection statewide.

May Revision. The May Revision allocates \$11 million (\$8.4 million in General Fund monies and \$2.2 million in reimbursements) to cover increased costs associated with overtime for seasonal firefighters (Firefighter I positions).

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, trailer bill language was approved to ensure increased staffing resources be used to support state responsibilities. The Subcommittee also took an action to reduce the department's General Fund monies by \$2.9 million to address a technical budgeting error related to employee compensation.

Staff Comments. A side letter of Memorandum of Understanding with Bargaining Unit 8 allowed half pay for some of the overtime (sleep time) worked by seasonal firefighters. This side letter expires June 30, 2006. This will require the state to pay time and one-half for all overtime, including sleep time. The Unit 8 contract also expires on June 30, 2006, and the state is currently in the process of collective bargaining to reach a new agreement. Staff finds that the Memorandum of Understanding is part of the Unit 8 negotiations and funding this proposal is premature. Furthermore, when and if this item is settled as a result of collective bargaining, any increase should be budgeted through the 9800 item for employee compensation.

Staff Recommendation. Staff recommends that the Subcommittee reject the May Revision proposal.

4. Workers' Compensation and Unemployment Insurance

May Revision. The May Revision proposes \$7 million in General Fund monies to cover increased costs related to workers' compensation (\$5 million) and unemployment insurance (\$2 million).

Justification. Staff finds that actual workers compensation costs have remained fairly constant since 2002-03. However, in the past, the department has used federal funding reimbursements to augment its budget without notification to the Legislature. These funds have been used to support these costs in the past. Budget bill language adopted in 2005 now requires the department to report all federal funding received so that it may be deposited in the General Fund to reimburse the state for firefighting activities on federal lands.

Unemployment insurance costs at the department have been increasing over the past several years due to recent legislation that increased unemployment insurance payouts and that offers unemployment benefits to students who quit work to return to school. Overall unemployment insurance costs have more than doubled since 2003-04 for the department.

Staff Recommendation. Staff recommends that the Subcommittee approve this budget request.

5. Public Safety Workforce Recruitment

May Revision. The May Revision proposes \$5 million in General Fund monies to support 34 additional staff to support the hiring and training of new firefighters.

Justification. The Department indicates that it is experiencing significant increases in firefighter retirements. However, staff has not received supporting information to justify this major expansion to the department's recruitment and training efforts.

Staff Recommendation. Staff recommends that the Subcommittee reject this proposal.

3560 State Lands Commission

1. School Land Bank Fund

Governor's Budget. The School Land Bank Fund is expected to have a fund balance of \$59 million at the end of the budget year. This balance has grown over 200 percent from levels in 1996-97.

LAO Recommendation. The LAO finds that the State Lands Commission (SLC) has expended almost no money from the School Land Bank Fund to purchase additional property in the past several years. Therefore, lease revenues to CalSTRS have not been enhanced by activities funded by the School Land Bank Fund. The LAO recommends adopting trailer bill language to transfer the balance in the School Land Bank Fund to the Teachers' Retirement Fund for investment by CalSTRS.

Previous Subcommittee Direction. At the March 6 meeting of the Subcommittee, this issue was held open and additional information was requested from the commission regarding the impacts of implementing the LAO's recommendation and the potential for unfunded liabilities to legacy uses of state school lands.

Department Response. The department indicates that it currently owns 570,000 acres of state school lands that were granted to the state from the federal government. The department has identified the following potential liabilities on these lands:

- Abandoned mines;
- Unexploded ordnance; and
- Toxic waste and other hazardous substances.

The department has identified 749 individual mine features on state school lands. Of these mine features, the department has identified 195 that pose the greatest hazard to the public and wildlife. The department estimates that it would cost approximately \$2 million over an eight-year period to remediate these mines.

Some of the state school lands were used by the U.S. military for training exercises and may contain unexploded ordnance (bombs and shells). Based on a preliminary review, the department has identified nearly 24,000 acres that have not been declared by the federal government as fully decontaminated of ordnance and cleared for all uses. The department does not currently know the amount of remediation efforts needed to make these lands safe for all uses.

The department indicates that many of the state school lands are isolated and remote and are not currently being leased. Therefore, unauthorized uses on these lands are possible and could potentially result in toxic or hazardous waste that will require clean up.

Staff Comments. Staff finds that part of management of the state school lands is identification and remediation of potential liabilities on these lands. If these hazards are present on the lands, it makes it very difficult to develop or sell them to benefit CalSTRS. Furthermore, the features on these state school lands present potential liabilities for the state.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve trailer bill language to amend Public Resources Code §8705 to clarify that funds from the School Land Bank Fund can be used for management and remediation of hazards on state school lands.
- Approve \$2 million from the School Land Bank Fund to remediate the most dangerous mine features on state school lands.
- Approve budget bill language to give DOC the authority to expend the \$2 million over three years.
- Approve \$200,000 from the School Land Bank Fund to support one two-year limited-term position and contracts to do an assessment of unexploded ordnance and other potential hazards on state school lands.
- Approve supplemental report language to require the Commission to report to the Legislature by January 10, 2008, with a plan for addressing unexploded ordnance and other potential hazards on state school lands.

3780 Native American Heritage Commission

1. Implementation of Recently Enacted Mandates

Previous Subcommittee Discussion. At the March 6 meeting of the Subcommittee, testimony was heard regarding the commission's inability to implement recently enacted legislation. The legislation that is not currently being implemented includes legislation (SB 18) enacted in 2004 to require every city and county planning agency to consult with California Native American tribes during preparation or amendment of a general plan. The Commission also indicated that they were currently unable to implement legislation (AB 978), enacted in 2001, establishing a process for repatriating Native American human remains and cultural items possessed by a state or local agency or museum that receives state funds. Staff understands that the commission needs legal counsel to assist with implementation of these laws.

Staff Recommendation. Staff recommends that the Subcommittee approve \$200,000 from General Fund monies to support two positions (staff counsel and support staff) to assist in implementing recently enacted mandates.

3790 Department of Parks and Recreation (DPR)

1. Bond Funds - Technical

Finance Letter. A Finance Letter (dated March 30, 2006) requests that the following bond funds be reappropriated:

- **Natural Stewardship Projects.** The Finance Letter proposes to reappropriate \$500,000 in Proposition 12 bond funds for natural stewardship projects on state park property. The Proposition 12 bond provided \$18 million for natural stewardship projects and most of these funds have been allocated. These funds are available due to savings in projects that have already been completed by the department.
- **Reconstruction of Facilities Damaged by the San Simeon Earthquake and the 2003 Southern California Forest Fires.** The Finance Letter proposes to reappropriate \$6.8 million in Proposition 40 bond funds for projects to rebuild state park facilities damaged in the San Simeon earthquake and the 2003 Southern California forest fires. Expenditure of these funds has been delayed due to the Federal Emergency Management Agency's delay in determining what projects are eligible for reimbursement by the federal government.

Staff Recommendation. Staff recommends that the Subcommittee approve these Finance Letter proposals.

2. Funding Boating Opportunities at State Parks

Background. The DPR has at least 86 park facilities with recreational boating facilities. The department is responsible for the largest number of recreational boating facilities and opportunities in California. It manages the largest staff of law enforcement and other personnel responsible for the health and safety of boaters and other individuals in and near the waters of California. The types of boating facilities offered by units within the state park system include docks, launch ramps, mooring facilities, water ski areas, boat-in camps, and floating restrooms. The department also provides aquatic safety programs, boat patrol, search and rescue activities, and aquatic hazard mitigation.

Governor's Budget. The Governor's budget proposes to transfer \$26.7 million from gas taxes paid by boaters to support the department's programs and activities that provide boating opportunities.

Finance Letter. A Finance Letter (dated March 30, 2006) proposes a \$15 million permanent reduction in transfers from gas taxes paid by boaters to support the department's activities. Instead, these funds will be redirected to the Department of Boating and Waterways to support additional grants and loans to build and refurbish marinas and boat launch facilities. The Finance Letter also proposes to backfill this reduction to State Parks' budget with \$15 million in General Fund monies.

The Finance Letter also requests the forgiveness of a \$15 million loan to the State Parks and Recreation Fund from gas taxes paid by boaters (Motor Vehicle Fuel Account). This loan was made to the department in 2002 when the department experienced a \$20 million reduction in General Fund monies.

Staff Comments. Staff finds that DPR continues to provide significant facilities and opportunities for boaters statewide. Nothing has changed at the department to reduce the services provided to boaters. Therefore, it is not clear why funding from the gas tax paid by boaters should be reduced. The department continues to provide the largest number of recreational boating facilities and opportunities in the state. The department's total support budget for its park facilities is over \$336 million and the gas tax paid by boaters currently supports less than 8 percent of this total budget. Staff finds that since about one-third of all state park facilities provide boating opportunities it is likely that the total costs associated with providing boating opportunities at the department are much higher than the 8 percent currently supported by the gas tax paid by boaters.

Furthermore, staff finds that, without the transfer proposed in the Finance Letter, there remains around \$50 million in money annually from the gas tax on boaters and from the repayment of loans to public and private marinas that can be used to allocate new grants and loans to construct and upgrade marinas and boat launching facilities statewide.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Finance Letter proposal to forgive the \$15 million loan from the gas tax on boaters to the State Parks and Recreation Fund.
- Reject the Finance Letter proposal to permanently reduce the \$15 million transfer from the gas tax on boaters to the State Parks and Recreation Fund.

3. Capital Outlay

Governor's Budget. The budget proposal includes \$22.7 million to fund various capital outlay development projects and acquisitions in the budget year. Approximately \$6 million is for statewide acquisitions, \$600,000 is for OHV acquisitions, \$13.6 million is for capital outlay projects to develop and improve existing State Parks facilities, and \$2.6 million is for other minor projects.

Finance Letter. A Finance Letter (dated May 1, 2006) proposes \$3 million to cover increased costs associated with various capital outlay projects at state park facilities, including \$1 million from Proposition 12 bond funds and \$2 million from Proposition 40 bond funds. The proposed projects are as follows:

- **Construct Visitor Center at Chino Hills State Park (SP).** The Finance Letter requests an additional \$1 million from Proposition 12 bond funds to relocate utilities underground to accommodate for turn lanes required by CalTRANS to address traffic safety, as well as additional earthwork needed to keep the new center out of the floodplain per FEMA's most recent mapping effort. The 2003, 2004, and 2005 budget acts provided \$2.6 million for this project. The Finance Letter also proposes to reappropriate these funds for expenditure on this project in the budget year.

- **Volunteer Enhancement Program.** The Finance Letter requests an additional \$11,000 from Proposition 12 bond funds for a minor capital outlay project to enhance kiosks and displays at William B. Ide Adobe State Historic Park. This project will be funded by Proposition 12 bond funds proposed for reversion in the Governor's proposed budget.
- **New Lifeguard Headquarters at Doheny State Beach (SB).** The Finance Letter requests an additional \$293,000 from Proposition 40 bond funds to complete construction of this project. Increases are due to additional demolition and site preparation and other site design elements that were a condition of the coastal permit. The 2003 and 2005 budget acts provided \$1.6 million for this project. The Finance Letter also proposes to reappropriate \$1.4 million in Proposition 40 bond funds to complete this project.
- **Rehabilitate Pudding Creek Trestle at MacKerricher SP.** The Finance Letter proposes \$1.7 million from Proposition 40 bond funds to complete this project. The department indicates that the wooden trestle is far more deteriorated than previously anticipated and will require additional funding to replace structures that have lost their structural integrity. The 2003 and 2004 budget acts provided \$2.2 million for this project.

The Finance Letter also proposes to increase funding from reimbursements by \$2.6 million for the following project:

- **New Visitor Center for the Donner Memorial SP.** The Finance Letter proposes \$2.6 million from reimbursement funds to support this project. These funds are expected from a Transportation Enhancement grant awarded to this project and will cover increased costs due to general price escalations in the construction market and enhanced exhibits at the new visitor center. Funding for this project was first appropriated in 2002, but, due to delays related to opposition regarding the proposed location of the new center, construction has been delayed and project costs have escalated to around \$9.9 million. The Finance Letter also proposes to reappropriate \$3 million in Proposition 40 bond funds and \$3 million in reimbursements from another Transportation Enhancement grant to complete this project.

The Finance Letter also proposes to reappropriate funding for the following projects:

- **Mount Hamilton Acquisitions for Henry W. Coe SP.** The Finance Letter proposes to reappropriate \$6.8 million from Proposition 12 bond funds for acquisition of properties adjacent to this existing park property. Parcels originally identified for acquisition could not be acquired for various reasons, and the expenditure of these funds was delayed. Alternative parcels have been identified but appraisals and real estate negotiations will extend beyond the end of the current fiscal year.
- **Acquisition and Development of the Los Angeles River Parkway Project.** The Finance Letter proposes to reappropriate \$3.3 million from Proposition 12 bond funds for acquisition and development of this project. Of the \$40 million allocated to this project, the majority of the funding has been expended on the purchase of the Taylor Yard. These funds are needed to continue clean up by the City of Los Angeles and the department.
- **Irish Hills Acquisition for Montana de Oro SP.** The Finance Letter proposes to reappropriate \$13 million from Proposition 12 bond funds for acquisition of properties adjacent to this existing park property. This project has been delayed due to a

partnership with private entities to purchase conservation easements on additional buffer properties around the state park property.

- **Monterey SB Acquisition.** The Finance Letter proposes to reappropriate \$2.5 million from Proposition 12 bond funds for acquisition of properties adjacent to this existing park property. This department has pursued a partnership with the Monterey Peninsula Regional Park District for this project, which has resulted in some delays.
- **Improvements to Campground and Day Use Facilities at Silverwood Lake State Recreation Area (SRA).** The Finance Letter proposes to reappropriate \$2.4 million in Proposition 12 bond funds for this project. The 2003 fires in Southern California and subsequent floods in this area have required the department to re-scope this project, which has delayed the expenditure of these funds.
- **Development of Public Underground Tour at the Empire Mine State Historic Park (SHP).** The Finance Letter proposes to reappropriate \$2.2 million in Proposition 12 bond funds for construction and equipment to continue development of a public underground tour at this park. The department anticipates it will complete construction in September 2006, and proposes to reappropriate remaining funds to cover unexpected contingencies that may come up in the budget year.
- **Wastewater Collection and Treatment System Improvements for Big Basin Redwoods SP.** The Finance Letter proposes to reappropriate \$1.5 million in Proposition 12 bond funds for construction of the first phase of this project. The department indicates that expenditure of these funds has been delayed due to a decision to consolidate bidding of this two-phased project. Construction has commenced, but is expected to continue beyond 2005-06.
- **Develop and Rehabilitate Day Use Facilities at Border Field SP.** The Finance Letter proposes to reappropriate \$2 million in Proposition 12 bond funds for construction of this project. The project is expected to be completed in November 2006, but environmental constraints have delayed construction of the project.
- **Public Use Improvements at Prairie Creek Redwoods SP.** The Finance Letter proposes to reappropriate \$1.8 million for construction of this project. This project has been delayed due to general price escalations in the construction market that required the department to re-scope the project in 2006 to stay within budget.
- **Road System Improvements at Mount Diablo SP.** The Finance Letter proposes to reappropriate \$4.8 million from Proposition 12 bond funds for this project. The project has been delayed due to general price escalations in the construction market that required the department to re-scope the project in 2006 to stay within budget.
- **Restore Sepulveda Adobe at Malibu Creek SP.** The Finance Letter proposes to reappropriate \$1.6 million from Proposition 12 bond funds for this project. The department indicates that construction of this project has been delayed due to construction of a bridge over the creek to minimize the environmental impact of the project.
- **Replace Main Lifeguard Tower at San Elijo SB.** The Finance Letter proposes to reappropriate \$276,000 from Proposition 12 bond funds for preliminary plans and working drawings for this project. The Governor's budget proposes \$1.3 million for construction of this project. Planning for this project has been delayed and final approval of the preliminary plans is expected in December of 2006.

- **Statewide Development.** The Finance Letter proposes to reappropriate \$500,000 from Proposition 12 bond funds to develop advance studies and budget packages for projects identified in the 2006 Five-Year Infrastructure Plan. These funds were appropriated in the 2005 Budget Act and will not be expended before the end of the current fiscal year.
- **Off-Highway Vehicle (OHV) Park Acquisitions.** The Finance Letter proposes to reappropriate \$22 million in OHV Funds for acquisition or grants to purchase a new OHV park in Bakersfield and to acquire buffer lands around Prairie City State Vehicular Recreation Area (SVRA) and Jawbone Canyon OHV facility.
- **OHV Park Opportunity Acquisitions.** The Finance Letter proposes to reappropriate \$57,000 in OHV funds for acquisition of parcels adjacent to Ocotillo Wells SVRA and Oceano Dunes SVRA.
- **Acquisition and Development of Riverside OHV Park Project.** The Finance Letter proposes to reappropriate \$27 million in OHV funds for acquisition and development of an OHV park project in Riverside. These funds have not been expended because negotiations with landowners have not been completed and hazardous materials have been discovered on the properties that require further evaluation.
- **Development of Hudner and Renz Public Use Facility at Hollister Hills SVRA.** The Finance Letter proposes to reappropriate \$1.3 million for construction and equipment for this project. Permitting issues with the U.S. Fish and Wildlife Service have delayed construction of this project.
- **California Indian Museum.** The Finance Letter proposes to reappropriate \$5 million in Proposition 40 bond funds for preliminary plans, working drawings, and construction of this project. This project has been delayed because of the need to identify a new site for the museum. Interpretive planning and architectural programming are scheduled to begin this spring. However, given the collaborative nature of this project, it is unlikely that these funds will be expended before the end of the current fiscal year.
- **Sewer System Improvements at Morro Bay SP.** The Finance Letter proposes to reappropriate \$1.1 million from Proposition 40 bond funds for working drawings and construction of this project. Coastal development permit issues have delayed construction of this project.
- **Vista Pacifica Visitor Center at Kenneth Hahn SRA.** The Finance Letter proposes to reappropriate \$8.6 million from Proposition 40 bond funds for construction and equipment to develop this project. This project has been delayed, but is scheduled to go to bid in the current fiscal year.
- **State Park System Acquisitions.** The Finance Letter proposes to reappropriate \$20 million from Proposition 40 bond funds for acquisition of properties to add to the state park system. The department indicates that it has expended approximately \$14.4 million of the original appropriation, but additional acquisitions are still under negotiation and the completion of these projects will extend beyond the current fiscal year.
- **Marine Education Center at Año Nuevo State Reserve.** The Finance Letter proposes to reappropriate \$1.1 million from Proposition 40 bond funds and \$1.1 million from reimbursements to complete construction of this project. The cost of the project is being shared by the State Park Foundation and funding has been delayed to ensure that the foundation has met its fundraising goals.
- **Railroad Technology Museum.** The Finance Letter proposes to reappropriate \$6.5 million in Proposition 40 bond funds and \$5 million in reimbursements for working

drawings and to rehabilitate and build facilities to house a new technology museum. The department indicates that expenditure of these funds has been delayed due to complex land negotiations. The Finance Letter also proposes to extend the liquidation period of \$686,000 for a study and preliminary plans being developed for this project.

- **Public Use Facility at Tapia at Malibu Creek SP.** The Finance Letter proposes to reappropriate \$4.3 million in Proposition 40 bond funds to complete this project. The rupture of a buried sewer line on this property has delayed the transfer of this property from the County of Los Angeles to the department, which has delayed development of the project.
- **Entrance Road and Development of Chino Hills SP.** The Finance Letter proposes to reappropriate \$13.4 million from Proposition 40 bond funds for this project. This project has been delayed due to additional structural studies needed before work could commence.
- **Public Use Improvements at Topanga SP.** The Finance Letter proposes to reappropriate \$1.9 million from Proposition 40 bond funds for this project. The department expects that this project will be out to bid by the end of the current fiscal year. However, any delay could result in these funds not being expended until 2006-07.
- **Southside Ruin Stabilization at Shasta SHP.** The Finance Letter proposes to reappropriate \$1.9 million from Proposition 40 bond funds to complete this project. The project has been delayed due to archeological issues and delays in CalTRANS encroachment permits.
- **New Concrete Reservoirs at Samuel P. Taylor SP.** The Finance Letter proposes to reappropriate \$1.9 million in Proposition 40 bond funds to complete this project. Funding to replace the water storage system at the park was provided in the current year but general delays at the department have resulted in the need to reappropriate these funds.
- **Minor Capital Outlay.** The Finance Letter proposes to extend the liquidation period for one year on various minor capital outlay projects proposed for funding in 2003. These projects have been delayed for various permitting and cultural issues.

The Finance Letter also proposes to revert funding for the following project:

- **New Lifeguard Headquarters at Lake Perris SRA.** The Finance Letter proposes to revert \$1.4 million in Proposition 40 bond funds for construction and equipment to develop this project. This reversion is due to proposed water level reductions for Lake Perris due to potential seismic safety risks in the foundation of the Lake Perris dam.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, \$20.7 million was approved for capital outlay projects by the department. The Subcommittee also held the following OHV minor capital outlay projects open pending approval by the OHV Commission:

- **Statewide Off-Highway Vehicle (OHV) Projects.** The budget proposes \$2.1 million from the OHV Trust Fund for: repaving the shop parking lot at Hungry Valley State Vehicular Recreation Area (SVRA); replacing seven toilets at Hungry Valley SVRA; adding six restroom buildings at Oceano Dunes SVRA; installing a vehicle wash rack at Oceano Dunes SVRA; constructing covered vehicle storage at Oceano Dunes SVRA;

restoring Lost Canyon Hill Trail at Hollister Hills SVRA; and constructing two residence pads at Ocotillo Wells SVRA.

The department indicates that the OHV Commission has not approved these minor capital outlay projects. It is unclear when or if the Commission will approve these projects before the end of the budget process.

The department has also submitted a proposal to revert the capital outlay funding allocated to new lifeguard stations at Lake Perris, given the decision by the Department of Water Resources to drain the reservoir pending seismic upgrades.

Staff Comments. Staff finds that the OHV minor capital outlay projects should be relatively non-controversial since they are mainly to make improvements at existing parks that improve water quality and reduce the impacts of human use on these properties. Staff finds that the department and Commission should be able to work out differences on these projects and move these projects forward. Since current law requires the Commission to approve these projects before funding can be expended, the department will not be able to expend monies on these projects until the Commission approves them.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve funding for OHV minor capital outlay, but, consistent with current law, the commission must approve the projects prior to expenditure of these funds.
- Approve capital outlay Finance Letter.

4. Main Street Program

Governor's Budget. The Governor's budget provides authority to expend up to \$175,000 from the California Main Street Program Fund. However, to date, no revenues have been identified for deposit in the fund.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, staff was directed to work with the department, LAO, and DOF on alternatives for funding the Main Street Program.

Staff Comments. Staff finds that there is considerable value in having a state coordinating role for the Main Street Program. Before funding for this program was eliminated, the state Main Street Program provided important training and information resources to help guide local main street efforts. The mission of the State Main Street Program is consistent with other state efforts to encourage in-fill development and reduce the urban sprawl that has impacted the state's natural landscapes. This program could also help coordinate and develop projects eligible for the \$850 million in bond monies included in the housing and land use bond (SB 1689, Perata) that were provided for infill development. Staff finds that General Fund monies are an appropriate funding source for this activity.

Staff Recommendation. Staff recommends that the Subcommittee take the following action:

- Approve 175,000 from General Fund monies and two positions to staff the Main Street Program.

5. Off-Highway Motor Vehicle Program

Governor's Budget. The Governor's budget proposes \$18 million from the OHV Fund for the OHV grant program.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, funding for the OHV grants was held open pending a resolution of the current problems with the grant allocation process. The Subcommittee also adopted trailer bill language to extend the OHV Program and OHV Commission for one year and supplemental report language to require the department to submit the gas tax study and a recommended strategic plan for the OHV program to the Legislature by January 10, 2007.

Staff Comments. Staff finds that there has been no progress in reconciling outstanding issues between the OHV Commission and the department regarding guidelines and priorities for the OHV grant program. This is an issue that has been raised by the State Auditor and the LAO. Staff finds that the gas tax study will help the department and Commission to establish priorities and guidelines for the grant monies, but these tasks will not be accomplished until the end of the budget year.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Delete funding for the OHV grants from the OHV Fund.

6. Federal Grants – Technical Change

Finance Technical Change. The Department of Finance has indicated that budget bill language is needed to enable the department to expend all of its federal grant money in a given year. Since the federal government makes decisions about grant money after the state budget is enacted, the department does not always know how much money will be allocated between OHV grants and other park recreation grants from the federal government. To address this, the Department of Finance has proposed language to eliminate schedules under the federal grant funds that identify what grant money goes to OHV projects versus other park recreation projects.

Staff Comments. Staff finds that the schedule for federal grant funds provides important information to the Legislature and public on how much federal grant money is being expended on OHV-related projects versus other park recreation projects. Furthermore, staff finds that any changes to the budget should be reported to the Joint Legislative Budget Committee in order to maintain legislative oversight.

Staff Recommendation. Staff recommends that the Subcommittee approve the following compromise budget bill language to address the Department of Finance's concern:

3790-101-0858

Provisions:

4. Notwithstanding any other provision of law, the Director of Finance may authorize an intra-schedule transfer of funds in this item. The intra-schedule transfer shall occur no sooner than 30 days after written notification is provided to the chairpersons of the fiscal committees in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee.

7. Malibu Bluffs Park

Background. The department purchased land on Malibu Bluffs in 1979. The department's original intent for the property was to locate a park headquarters at the site. However, local opposition regarding this proposal and the relocation of baseball fields forced the department to pursue an alternative location for its headquarters. The department then entered into an agreement with the City of Malibu to transfer an 11-acre portion of the Malibu Bluffs to the city for fair market value.

Staff Comments. Staff understands that statutory changes are needed to clarify the intent of the agreement and to ensure that the transfer of land occurs.

Staff Recommendation. Staff recommends that the Subcommittee approve the following trailer bill language:

Section 5003.11 is added to the Public Resources Code to read:

(a) Notwithstanding Section 11011 et seq. of the Government Code, the Director may grant to the City of Malibu, subject to the conditions set forth in this section, all of the rights, title, and interest of the State of California in an approximately 10.81-acre portion of the Malibu Bluffs unit of Malibu Lagoon State Beach, known as Malibu Bluffs Community Park, in Los Angeles County.

(b) The grant shall be made upon the following express conditions:

(1) The real property conveyed shall be operated, maintained, and improved by the city for park purposes in perpetuity, consistent with covenants, conditions, and restrictions recorded by the Department to protect the State's interest.

(2) The City of Malibu shall pay the Department fair market value for the real property interests, as restricted by subdivision (b)(1); the net proceeds shall be deposited pursuant to Section 5003.15. The fair market value shall be determined by an appraisal that is reviewed and approved by the Department of General Services.

(c) The Legislature hereby makes a finding that the grant to the City of Malibu, pursuant to the conditions provided in subdivision (b)(1) above, is excepted from the provisions of Section 5096.516 in accordance with subdivision (c)(3) of that section.

8. Los Angeles State Historic Park

May Revision. The May Revision proposes \$765,000 from Proposition 12 bond funds to create a conceptual park design for the Los Angeles State Historic Park to be located at the Cornfield property. The department expects to award the design contract in September 2006. These funds will also be used to continue public involvement in the planning process.

Staff Recommendation. Staff recommends that the Subcommittee approve this May Revision proposal.

9. Deferred Maintenance

Previous Subcommittee Direction. At the March 6 meeting of the Subcommittee, the chair emphasized the importance of adequately funding management of the state's resources-related properties. The Subcommittee also heard testimony regarding the large amount of unfunded deferred maintenance in the State Parks system due to an inadequate ongoing maintenance budget. The Department of Parks and Recreation has estimated that the State Parks system has over \$900 million in deferred maintenance system-wide.

May Revision. The May Revision proposes \$10 million in one-time monies from the General Fund to fund deferred maintenance projects on state park properties.

Staff Comments. Staff finds that the Governor's proposal inadequately addresses the deferred maintenance needs of the state park system. If the state does not address, at some level, the deferred maintenance on state park facilities it may be forced to shut down some facilities due to health and safety concerns.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the May Revision proposal.
- Approve an additional \$240 million in General Fund monies for deferred maintenance in the state park system.
- Approve the following budget bill language:

3790-001-0001

Provisions:

3. \$250,000,000 of the funds appropriated in this item shall be available for encumbrance through June 30, 2012.

4. Notwithstanding any other provision of law, the Director of Finance may authorize expenditures in this item for capital outlay projects not sooner than 30 days after written notification is provided to the chairpersons of the fiscal committees in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee. The written notification will provide a description of each capital outlay project, the need for the project, and the cost and phase for which approval is requested. The total of these expenditures may not exceed \$250,000,000.

3680 Department of Boating and Waterways

1. Harbors and Watercraft Revolving Fund – Capital Outlay

Governor's Budget. The Governor's budget includes the following budget proposals for capital outlay projects funded from the Harbors and Watercraft Revolving Fund:

- **Major Projects.** The budget proposes \$3.4 million for construction of Phase III of the Boating Instruction and Safety Center in Ventura County and \$85,000 for project planning and studies needed to develop major capital outlay projects for future years.
- **Minor Projects.** The budget proposes \$6 million for 13 location-specific projects and other statewide projects costing \$500,000 or less. Projects include:
 - **Merced County.** San Luis Creek ramp widening, Los Banos Creek improvements and Grasslands State Park launch ramp improvements.
 - **Sacramento County.** Brannan Island ramp widening and Negro Bar improvements.
 - **Lake County.** Clear Lake Marina ADA improvements.
 - **Humboldt County.** Humboldt Boating Instruction and Safety Center instructional docks.
 - **Fresno County.** Millerton Lake Crows Nest improvements.
 - **Imperial County.** Picacho boat-in campground improvements.
 - **Butte County.** Bidwell Stage II parking improvements, Lake Oroville floating campsite improvements, and Bidwell Canyon Stage I ramp widening.
 - **Alameda County.** Bethany Reservoir boat launch facility improvements.
 - **Statewide Projects.** Emergency repairs, boating trails, and low water improvements.

Finance Letter. A Finance Letter (dated May 1, 2006) proposes to delete \$3.4 million from the Harbors and Watercraft Revolving Fund and \$3.3 million in reimbursements from Ventura County for construction of Phase III of the Boating Instruction and Safety Center in Ventura County. This project is being delayed because of unresolved legal issues related to the siting of the proposed center.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Governor's capital outlay proposal.
- Approve the capital outlay Finance Letter proposal.

2. Harbors and Watercraft Revolving Fund – Local Assistance

Governor's Budget. The Governor's budget includes the following budget proposals for local assistance grants and loans from the Harbors and Watercraft Revolving Fund:

- **Public Small Craft Harbor Loans.** The budget proposes \$21.4 million for public loans to develop, expand, or rehabilitate marina facilities at six locations in the state. Marinas in San Francisco, Alamos Bay, Dana Point, Berkeley, and Sacramento are proposed to receive the largest allocations in the budget year.

- **Boat Launching Facility Grants.** The budget proposes \$9.6 million for 11 grants to build or improve launching facilities around the state. The largest grants are proposed to fund projects at Shelter Cove, Caples Lake, the Antioch marina, and Bonelli Park.
- **Private Recreational Marina Loans.** The budget proposes \$3.5 million to fund loans to develop, expand, or rehabilitate private marina facilities statewide.

Finance Letter. A Finance Letter (dated March 30, 2006) proposes to allocate an additional \$15 million in gas tax monies paid by boaters that had supported boating activities at the Department of Parks and Recreation to, instead, increase public loans and grants to marinas and boat launching facilities in the budget year. The department proposes to allocate the additional \$15 million to augment the following projects:

	Budget Proposal	Finance Letter	Total
<i>Public Loans</i>			
Alamitos Bay - Basin 1	\$5,380	\$3,100	\$8,480
Dana Point Marina	\$5,000	\$4,800	\$9,800
Dana Point 2	\$500	-\$300	\$200
Long Beach - Basin 2&3	\$500	-\$300	\$200
San Francisco Marina – East	\$500	-\$247	\$253
San Francisco Marina - West	\$6,000	\$5,300	\$11,300
<i>Grants</i>			
Gridley Boat Launch Facility (BLF)	\$635	\$300	\$935
Jack Smith Park BLF	\$223	\$2,357	\$2,580
Live Oak BLF	\$567	-\$10	\$557
Total	\$19,305	\$15,000	\$34,305

The department also proposes to redirect \$847,000 from three first-phase projects to three final-phase projects. The department also indicates that the grant provided to the Live Oak Boat Launch Facility was inadvertently overstated by \$10,000.

Staff Comments. Staff finds that transferring \$15 million in gas tax monies paid by boaters from support for boating activities at the Department of Parks and Recreation to provide additional loans and grants for public marinas is a policy choice that has been made by the administration. Numerous boating opportunities are provided to boaters at nearly one-third of all state park facilities. Many of the state park facilities are inland and support boating opportunities in lakes and rivers. The majority of the funding allocated to the Department of Boating and Waterways under this program is to augment support for coastal marina development.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Governor's budget proposal for local assistance grants and loans.

- Reject the Governor's Finance Letter transferring \$15 million in gas tax monies paid by voters from the Department of Parks and Recreation to support additional loans and grants to marinas and boat launch facilities.
- Allocate an additional \$3.1 million from the Harbors and Watercraft Revolving Fund reserve to the Alamitos Bay - Basin 1 project. (These funds are available due to the reversion under issue 1.)
- Delete \$10,000 in funding for a grant to the Live Oak Boat Launch Facility to correct an error.

3. Additional Federal Funding

Background. A change in federal law that governs the allocation of Wallop-Breaux funds has resulted in additional federal funding available for the department. Wallop-Breaux funds are generated from excise taxes on fishing equipment and the excise tax attributed to fuel used in motorboats and small boat engines. The funds are allocated by the U.S. Coast Guard. The department currently receives \$4.1 million from these funds and has wide discretion over how to expend the funds including using them for boating education, safety, and access.

Finance Letter. A Finance Letter (dated March 30, 2006) proposes to allocate \$1.9 million in additional federal funds that the department expects to receive annually to the following activities:

- \$1.4 million for boating education and media outreach, specifically television public service announcements, radio advertisements, and educational billboards near waterways, for messages such as wearing a life jacket, taking an education course, and not drinking alcohol while boating.
- \$225,000 for equipment grants to boating law enforcement agencies, specifically patrol boats, trailers, engines, and other equipment.
- \$300,000 for grants for boating trail access projects for non-motorized vessels such as canoes, kayaks, and rafts.

Staff Recommendation. Staff recommends that the subcommittee approve the Finance Letter.

3900 Air Resources Board

1. Lower-Emissions School Bus Program

Finance Letter. A Finance Letter (dated March 30, 2006) proposes to allocate \$25 million from the Motor Vehicle Account (MVA) to replace pre-1977 school buses. These school buses do not meet current safety standards and have no emission controls.

Justification. The 2005 Budget Act allocated \$25 million to replace pre-1977 school buses and retrofit pre-1987 school buses. The ARB estimates that there are still 300 pre-1977 buses operating in the state even after the 90 oldest buses are replaced this year. As mentioned previously, not only do pre-1977 buses lack emission control technologies, but they also do not meet current safety standards. Furthermore, all buses manufactured prior to 1987 also lack emission control technologies. Children are particularly vulnerable to the health impacts of diesel emissions and this program helps to reduce emission exposure.

Bond. The Transportation and Air Quality Bond (SB 1266, Perata) that was recently passed by the Legislature includes \$200 million for school bus retrofit and replacement. If this bond passes in November, there will be a significant amount of funding for retrofit and replacement of school buses statewide.

Furthermore, the bonds allocate over \$16 billion for new transportation projects, \$10.4 billion for new schools and higher education facilities, \$4 billion for levee construction, and \$2.8 billion for housing projects. Staff finds that if these bonds are passed by the voters in November they will result in a large amount of public construction in the state. Construction equipment emits high amounts of particulate matter and other emissions that impact air quality.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve Finance Letter proposal.
- Approve budget bill language that requires the ARB to redirect \$25 million in MVA funding from retrofit and replacement of school buses to establish a new program that provides incentives to public agencies to purchase low-polluting construction equipment if the Transportation and Air Quality Bond is passed by the voters in the November.

2. Other Air Quality Incentives

Background. California has the only two areas in the nation that exceed both the federal 24-hour and annual particulate matter standards (PM 2.5 standards). These areas are the South Coast and the San Joaquin Valley air basins. These areas of the state are also suffering from high levels of other criteria pollutants as well.

Staff Comments. Staff finds that more needs to be done to reduce air pollution in the state. The health related impacts of air pollution are significant and continue to increase. Furthermore, if

the state does not reach attainment with federal standards, it could lose a significant amount of federal transportation funding.

Staff Recommendation. Staff recommends that the Subcommittee allocate Motor Vehicle Account funding to the following incentives to reduce air pollution:

- \$5 million to establish a Locomotive Head End Power Project to repower and/or retrofit transit locomotives (i.e. trains that carry people), which operate a significant number of hours per year in close proximity to commuting public, schools and neighborhoods.
- \$10 million to establish a program to reimburse public agencies for the incremental increased cost of purchasing cleaner construction equipment.
- \$10 million to provide incentives for a dairy pollution reduction incentive program to provide incentive payments for clean equipment not otherwise required by law or regulation.

3. Local Air District Subventions

Background. There are 35 local and regional air districts in the state. They serve as the lead agencies to regulate stationary sources of air pollution (e.g. “smokestack industries”) and other sources of pollution. In the past, districts have received subvention funds from the state to support important local air program activities that cannot be funded, or can only be partially funded, with fees on stationary sources in accordance with existing law. For most districts, the subvention funds received account for ten percent or less of the total district budget. Local subvention funds were initially provided in 1972, and were increased several times to address the costs of inflation, most recently in FY 00-01. Due to budget constraints, district subvention funds were reduced by one third in FY 02-03. The air districts contend that these reductions have had a real and significant impact on local programs, especially air quality enforcement.

Governor’s Budget. The Governor’s budget includes \$10 million from the Motor Vehicle Account (MVA) for subventions to local air districts.

Staff Comments. The air districts note that since subventions were reduced, there have been a number of new requirements and costs for local districts. These include new monitoring and planning activities for new state ambient air quality standards, new enforcement obligations under the state board’s Diesel Risk Reduction Plan for sources not subject to local permits or fees, and new fiscal and enforcement procedures for implementation of the Carl Moyer grant program. Staff finds that additional state funding for local air districts is warranted to address the increased workload.

Staff Recommendation. Staff recommends that the Subcommittee increase subventions to local air districts by \$10 million from the MVA.

3910 Integrated Waste Management Board

1. Waste Tire Recycling Management Program

Governor's Budget. The Governor's Budget includes \$5.2 million in special funds to expand enforcement efforts and increase the board's tire recycling efforts. The funds will support three new positions (\$230,000) to enhance enforcement and a two-year increase in grant funds (\$5 million annually) to encourage the use of rubberized asphalt concrete (RAC) and tire-derived aggregate (TDA).

Previous Subcommittee Direction. At the April 3 meeting of the Subcommittee, the Governor's budget proposals for this program were approved. The Subcommittee also approved trailer bill language to maintain funding for the tire recycling program. The Subcommittee also requested that the board work with staff to develop budgeting procedures that categorized grant expenditures as local assistance to improve legislative oversight.

Staff Comments. While reviewing the board's budget, staff found that it has historically budgeted a large amount of its local assistance grant funds in state operations. This action impedes legislative oversight. The board has agreed to shift the following expenditures from state operations to local assistance to reflect the actual allocation of the funds:

- \$2 million for Local Government Waste Tire Enforcement Grants.
- \$1 million for Local Government Waste Tire Cleanup Grants.
- \$1.7 million for Local Government Amnesty Cleanup Grants.
- \$2.1 million for Targeted RAC Incentive Program.
- \$1.5 million for Continuation of RAC Use Incentive Program.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Increase local assistance by \$8.3 million and reduce state operations by \$8.3 million to reflect the technical shift of grant funds at the board.
- Approve supplemental report language to provide the Legislature with additional baseline information on the board's tire enforcement program.

3960 Department of Toxic Substances Control

1. Stringfellow Hazardous Waste Site

Background. The Stringfellow Hazardous Waste site is a former Class I landfill that has been closed. Pretreatment of contaminated groundwater is required before it is discharged into the industrial sewer to meet effluent quality standards. The existing pretreatment plant was constructed in 1985 as an interim plant, intended to last three to five years, and is past its useful life.

Finance Letter. A Finance Letter (dated March 30, 2006) proposes to reappropriate \$4 million in General Fund monies for site acquisition and preliminary plans. This project has been delayed because the department has not been able to acquire the property necessary to construct the facility.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter proposal.

8570 California Department of Food and Agriculture

1. Capital Outlay

Finance Letter. A Finance Letter (dated April 27, 2006) proposes to reappropriate \$23.2 million in lease revenue bond monies and monies from the State Highway Account to relocate and construct a new agricultural inspection station in Yermo, California. These monies are for acquisition, preliminary plans, working drawings, and construction. This project has been delayed because of additional due diligence required for projects funded by lease revenue bonds and project modifications which were needed to address the environmental impacts of the project.

Technical Change. The Finance Letter does not technically reappropriate all of the funding for construction of this project and funding to complete working drawings. Staff understands that these items were inadvertently left out by the Department of Finance when they prepared the Finance Letter.

Staff Recommendation. Staff recommends that the Subcommittee take the following action:

- Approve the Finance Letter.
- Approve an amendment to the Finance Letter to reappropriate all funding from the State Highway Account for construction and working drawings.

2. Diaprepes Root Weevil Eradication

Background. The Diaprepes Root Weevil is native to the Caribbean region and is known to feed on numerous ornamental, native, and commercial plants. The weevil damages plants by chewing away the leaves and its larvae feed on the roots. The department recently identified two outbreaks in residential areas in Newport Beach and Long Beach. The department indicates that a widespread infestation of this pest would have the greatest economic impact on the citrus, avocado, and ornamental plant industries in California.

Finance Letter. A Finance Letter (dated March 30, 2006) proposes \$3.5 million from General Fund monies to eradicate the infestations of the Diaprepes Root Weevil found in Newport Beach and Long Beach. The department is proposing a two-year limited-term program to eradicate these outbreaks. The proposal includes three two-year limited-term positions, 31 temporary help and contracts for specialized pesticide applications. The eradication effort includes defining a quarantine area, pesticide applications of plants and soil in the quarantined areas, and post-treatment monitoring.

Justification. The department indicates that it needs these funds to ensure that the Diaprepes Root Weevil does not get established in California. The weevil has been established in Florida since 1975 and it is estimated that it has cost the Florida agricultural sector more than \$75 million a year. If the weevil gets established in California, it could potentially cost the

agricultural sector significantly due to increased production costs and decreased yield. The weevil would also impact residential landscaping.

Update. The department indicates that it has recently discovered an additional outbreak in the La Jolla area. The initial estimates provided by the department indicated that it will cost an additional \$2.4 million in General Fund monies to initiate an eradication effort in this area. Staff has not received additional detailed information to justify this expenditure.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve this Finance Letter proposal.
- Adopt supplemental report language to require an update on eradication efforts by January 10, 2008.

3. Conversion to CalSTARS

Finance Letter. A Finance Letter (dated March 30, 2006) proposes \$658,000 in one-time funding from General Fund monies and other special funds to convert the department's current accounting systems to the state's CalSTARS system. The funding will support one 1-year limited-term position to support the conversion and various contracts and equipment to facilitate the transition.

Justification. The department currently has an outdated COBOL accounting system. This program is outdated and no longer meets the needs of the department. The current system cannot be easily upgraded to adapt to the department's current administrative support needs.

Staff Comments. The department has indicated that it will no longer need \$177,000 in contract funding to support a COBOL contractor. The department indicates that it has existing staff that have expertise in COBOL that can support the transition to CalSTARS.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve this Finance Letter proposal.
- Approve an amendment to the Finance Letter to reduce the amount proposed in the letter by \$177,000 (\$88,500 General Fund and \$88,500 other funds).

4. Emerging Threats to Food Supply

Governor's Budget. The Governor's Budget proposes \$7.2 million from the General Fund to establish 39 positions to support an ongoing program to address emerging threats to California's food supply, including Avian Influenza and bioterrorism. The funds will be allocated to the following activities:

- **Expanded Laboratory Capacity.** \$2 million (\$1.3 million one-time) for expanded service, new equipment and a new Laboratory Information Management System for the California Animal Health and Food Safety Laboratory System, administered by U.C. Davis. The information management system will allow for the automatic transfer of laboratory data directly from testing instruments into databases.

- **Rural-Urban Community Outreach and Disease Surveillance.** \$1.2 million to support 10 positions, including travel and vehicles, to establish detection and education posts near known portals of disease entry. This includes outreach to ethnic communities near urban centers, backyard operations and other non-commercial animal production facilities, and ports.
- **Emergency Response Office.** \$1 million to support eight positions, including training and travel, to develop the infrastructure necessary for effective emergency management. This office acts as a conduit for critical information sharing and coordination of resources during emergencies.
- **Develop Animal Tracking System.** \$753,141 to support four positions, including training and equipment, to compile and validate information on agricultural facilities in California. This data will be used to develop quarantine boundaries, trace movement of disease, and conduct investigations. Funds will also be used to support contracts to provide database management enhancements.
- **Assess Safety of Production Facilities.** \$587,843 to support four positions, including travel and vehicles, to implement farm level strategies to detect and contain disease and respond to other disasters that may impact animal agriculture. Funds will also be used to increase laboratory support for the California Animal Health Veterinary Laboratory Services.
- **Dairy Food Safety and Security.** \$498,701 to support four positions, including travel and vehicles, to develop standards for security recommendations to dairies, milk transporters, processors, and distributors. After the standards are developed, staff will also be used to support ongoing outreach and education to implement the standards.
- **Field Communications and Data Management.** \$418,356 to support four positions, including travel and vehicles, to develop information technology resources to track test results from sample collection in the field, through the laboratory and into an integrated database. Funds will also be used to support contracts to provide database management enhancements.
- **Create a Research and Policy Development Unit.** \$399,349 to support three positions, including travel and vehicles, to evaluate new research findings and technology strategies to help CDFA accomplish best practice protocols for preventing disease and responding to emergencies.
- **Employee Personal Protection.** \$187,936 to support one position, including travel and vehicle, to provide a comprehensive employee personal protection program for employees responding to animal disease.
- **Field Early Warning System.** \$163,223 to support one position, including travel, to identify and train field observers to establish a field early warning system for identifying animal disease outbreaks.

May Revision. The May Revision proposes to increase reimbursements by \$1 million to expend a grant received by the Office of Homeland Security that will be used to fund the following projects:

- Implement an Emergency Rapid Notification System for the department.
- Purchase laboratory equipment for the California Animal Health and Food Safety Laboratory.

- Consulting services to develop response plans for four intentional food contamination scenarios.

Previous Subcommittee Direction. At the March 27 meeting of the Subcommittee, several concerns were raised regarding this proposal. The concerns raised include the following:

- Most activities were identified as eligible for federal funds.
- Coordination with other food safety and security activities was unclear.
- Industry should contribute to the costs of the program since they directly benefit.
- Unclear how surveillance program would be effective.
- Required feasibility study reports (FSRs) had not been prepared for information technology projects.
- Unclear what existing resources the department currently had working on these activities.
- Overall operating expenses and equipment expenditures seemed high.

Most Activities Eligible for Federal Funds. The LAO reports that most of the department's proposal is consistent with federal funding parameters to receive grants from the State Office of Homeland Security. Furthermore, the department expects to receive additional grant awards in the budget year. Therefore, staff finds that the department could use these grant funds to fund eligible one-time expenditures proposed in this budget proposal.

Coordination. The department has provided additional information about its coordination with other entities including the Western Institute for Food Safety and Security (WIFSS) at U.C. Davis. The department indicates that it participates with the WIFSS group and provides technical advice to help develop its curriculum. However, the department further indicates that WIFSS is a training program and does not address or respond to outbreaks or emergencies.

Industry Should Contribute to Costs. The LAO finds that the industry should contribute funding to support the department's security assessments of individual agricultural production facilities (two components totaling \$1.1 million).

Surveillance Would Be Ineffective. The LAO finds that the department's proposal to establish an outreach and surveillance program would be ineffective. The LAO finds that a ten-member surveillance team would have a minimal impact on the vast number of specialty markets, auctions, swap meets, feed stores, shows and fairs in the state. Furthermore, the LAO finds that the state already has a network of local agricultural commissioners, public health officials, and UC cooperative extension offices that have an established presence in every county and would be better able to target local efforts.

FSR Completed. The Department of Finance has completed a feasibility study report (FSR) for \$1.1 million for data management system enhancements to help the department implement its emerging threats program.

LAO Recommendation. The LAO recommends funding a modified proposal totaling \$4.3 million to support 16.4 positions. The LAO recommends funding this proposal from the following funding sources:

- \$2 million from Specialty Crop Grants.

- \$1.1 million from OHS grants.
- \$551,373 from Anti-Terrorism Funds.
- \$730,820 from General Fund monies.

Staff Recommendation. Staff recommends that the Subcommittee approve the following components of the budget proposal on emerging threats:

Activity	Amount	Positions	Senate Proposal
Expanded Laboratory Capacity.	\$2,025	0.0	Approve, but fund with \$1.1 million in OHS grants and \$969,675 from Specialty Crop grant funds.
Rural-Urban Community Outreach and Disease Surveillance.	\$1,173	10.0	Approve 3 positions total (\$450,000 GF), 2 for Southern California and 1 for Northern California to work with local health jurisdictions and others to implement this program.
Emergency Response Office.	\$1,017	8.0	Approve, but fund with \$1 million in Specialty Crop grant funds.
Information Technology Project.	\$1,172	8.0	Approve 1-year extension, but fund with \$363,437 from Anti-Terrorism Fund.
Assess Safety of Production Facilities.	\$588	4.0	Reject.
Dairy Food Safety and Security.	\$499	4.0	Reject.
Create a Research and Policy Development Unit.	\$399	3.0	Approve.
Employee Personal Protection.	\$188	1.0	Approve, but fund with Anti-Terrorism Fund.
Field Early Warning System.	\$163	1.0	Reject.
Total	\$7,224	39.0	
Senate Total	\$5,251	23.0	
<i>General Fund</i>	<i>\$1,657</i>		

<i>Specialty Crop Grant Funds</i>	<i>\$1,987</i>
<i>Anti-Terrorism Funds</i>	<i>\$551</i>
<i>OHS Grant Funds</i>	<i>\$1,055</i>

Staff recommends that the Subcommittee take the following additional actions:

- Approve budget bill language to require the department to report to the JLBC to justify ongoing positions needed to support the information technology project.
- Approve supplemental report language to require the department to report on activities, and outcomes of the Agricultural Security and Emergency Response office.
- Approve the May Revision proposal.

5. Budget Bill Language – Enhancing Emergency Eradication Efforts

Governor’s Budget. The Governor’s budget includes several changes to the department’s budget bill language. In summary, these changes allow the department to collect up to \$2.8 million in unclaimed gas tax over a two-year period ending in 2007-08 for emergency detection and eradication of pests that may be a threat to the agricultural industry. The language also requires the department to provide the Department of Finance with periodic reports regarding their expenditures from this emergency allocation.

LAO Recommendation. The LAO recommends making several changes to the department’s budget bill language to increase legislative oversight of expenditures made by the department. The amendments also clarify when the department can expend funds from the \$2.8 million it will set aside for emergency detection and eradication efforts.

Staff Comments. Staff finds that the budget bill language creates a needed short-term reserve for the department to use on emergency pest detection and eradication efforts. These efforts are often needed and are generally funded directly from General Fund monies. This proposal would offset potential costs to the General Fund by using additional unclaimed gas tax to fund the first \$2.8 million in expenditures for emergency pest detection and eradication efforts.

On May 10, Assembly Budget Subcommittee No. 3 approved changes to the department’s budget bill language that represent a compromise proposal between staff, LAO, the department, and DOF.

Staff Recommendation. Staff recommends that the Subcommittee approve the compromise budget bill language consistent with the action taken by the Assembly.

6. Weed Management Areas Program

Background. Weed Management Areas are cooperative, local organizations that bring together landowners, land managers and other stakeholders for the purpose of combining their weed control efforts and expertise.

Governor's Budget. The Governor's budget does not provide any funding for this program.

Justification. In the past, the state has provided money through the Weed Management Areas Program at CDFA to leverage local funding and in-kind donations at a rate of 3:1 to reduce invasive weeds. Invasive weeds are a serious problem statewide and their presence reduces the value of agricultural lands and the habitat values of lands for native species.

Staff Recommendation. Staff recommends that the Subcommittee approve \$2.5 million in General Fund monies for this program.

8660 Public Utilities Commission

1. Division of Ratepayer Advocates

Governor's Budget. The Governor's Budget proposes \$154,000 in special funds to fund one lead attorney position within the Division of Ratepayer Advocates (DRA), consistent with legislation (SB 608, Escutia) enacted in 2005.

The budget also proposes to redirect six positions from DRA's electricity analysis branch to its water and telecommunications activities.

Previous Subcommittee Direction. At the March 6 meeting of the Subcommittee, the Subcommittee requested that DRA, in consultation with the CPUC, provide additional information on DRA's current staffing, including:

- Current allocation of positions within DRA.
- Identification of the statutory mandates on the DRA and a metric of the Division's ability to meet these mandates.
- If possible, information on positions needed to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

Commission Response. In the Commission's response to the Subcommittee, it indicates that the DRA currently has 122 positions. The Commission has also identified the need for 22 additional positions to meet its current statutory requirements. The table below shows only the areas in which the DRA needs additional positions.

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
Telecommunications and Consumer Issues				
- Advocacy in Proceedings - additional positions needed for telecommunications audit and program reviews.	14.3	2.0	+1 (redirect)	2.0
- Advice letter review - additional staff time needed to represent consumer customers on telecommunications advice letters.	0.3	0.8		0.8
- Compliance reviews - additional positions needed to monitor implementation of the Consumer Bill of Rights.	0.0	2.2		2.2

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
- Low income programs - additional staff needed to participate in CARE program implementation and Low Income Oversight Board activities.	1.1	1.0		1.0
Water				
- Water utility general rate cases - additional positions needed to implement AB 2838 that requires DRA to do general rate cases every three years.	18.7	3.4	+3.4 (redirect)	3.4
- Non-general rate case proceedings - additional positions needed to participate in proceedings on the sale of water utility assets, water rights, low-income programs, water quality, conservation, and merger and acquisition proceedings.	0.3	2.7	+1.5 (redirect)	2.7
- Review of advice letters - additional positions needed to represent utility consumers on water advice letters.	0.0	0.9	+0.1 (redirect)	0.9
- Audit water utilities - additional staff is needed to meet audit demands.	1.0	3.0		3.0
Electricity Resources and Pricing				
- Demand response.	5.1	0.0	-1 (redirect)	Reject
- Electricity ratemaking - additional position needed to augment staff to evaluate rate design.	6.0	1.0		1.0
- Procurement - additional positions needed to evaluate up to 15 new procurement plans.	5.5	1.0	-1 (redirect)	1.0
- Mergers and Acquisitions.	1.3	0.0	-1 (redirect)	Reject
- Distributed generation - additional position needed for the California Solar Initiative.	0.5	1.0		1.0
- Resource adequacy - additional position needed to examine local reliability requirements and capacity market design.	1.6	1.0		1.0

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
- Transmission - additional position needed for economic and reliability analysis of multiple high voltage transmission line applications.	1.3	1.0		1.0
Energy Cost of Service and Natural Gas				
- Energy General Rate Cases.	18.1	0.0	-2 (redirect)	Reject
- Natural gas proceedings.	5.2	0.0	-1 (redirect)	Reject
Oversight and Coordination				
- Legal Counsel.	0.0	1.0	1.0	1.0
Total DRA		22.0	1.0	22.0

Workload Justification. Since deregulation of the energy market in 1996, the DRA's staffing has been reduced by more than half. At the same time, the energy general rate cases and other proceedings have become more complex. Last year, during budget discussions, there was significant discussion about DRA's staffing needs related to telecommunications and water issues. Regulation of the telecommunications sector has also gone through tremendous change over the past decade, which has required the commission to change its regulatory approach. The DRA has not been able to meet these obligations with its current staffing. Furthermore, legislation (AB 2838, Canciamilla), enacted in 2002, significantly increased the workload of DRA to do general rate cases on small water utilities every three years. The DRA's budget was never adjusted to address this increase in workload.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the Governor's budget proposal to add one legal position to DRA.
- Reject the Governor's budget proposal to redirect positions from the electricity branch to the telecommunications and water branches.
- Add 21 additional positions to DRA's budget to the program areas summarized in the chart above.

2. Telecommunications Division

Governor's Budget. The Governor's budget proposes to redirect one position from the administration of the High Cost Fund-A program and Universal Lifeline Telephone Service Program (ULTS) to participate in and inform telecommunications proceedings at the Federal Communications Commission (FCC) and to influence federal legislation.

The CPUC is also redirecting two positions administratively (without a budget proposal) from the High Cost B program, new carrier certification, and commission-wide information technology support, to the oversight and administration of the Deaf and Disabled Telecommunications Program.

Previous Subcommittee Direction. At the March 6 meeting of the Subcommittee, the Subcommittee requested that the CPUC provide additional information on the Telecommunications Division, including:

- Identification of statutory mandates related to telecommunications and a metric of the Division's ability to meet these mandates with current staffing.
- If possible, information on positions needed to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

Commission Response. In the Commission's response to the Subcommittee, it indicates that the Telecommunications Division currently has 59.3 positions. The Commission has also identified the need for six additional positions to meet its current statutory requirements and to increase its presence in federal proceedings. The table below shows only the areas in which the Telecommunications Division needs additional positions.

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
Carrier Branch				
- Certificate of Public Convenience & Necessity reviews and certification.	0.4	0.0	-0.4 (redirect)	Reject
- Federal Matters - additional positions needed which would impact and review federal legislation and rulemaking affecting California consumers.	1.0	4.0	+1 (redirect)	1.0
- California Teleconnect Fund program administration.	3.0	0.0	-0.6 (redirect)	Reject
Public Programs Branch				
- California High Cost Fund-A program administration.	0.5	0.0	-0.5 (redirect)	Reject
- California High Cost Fund-B program administration.	2.5	0.0	-1 (redirect)	Reject
- Deaf and Disabled Telecommunications program administration.	3.1	2.0	+2 (redirect)	2.0
- Universal Lifeline Telephone Service program administration.	2.8	0.0	-0.5 (redirect)	Reject
Total Telecommunications Division		6.0	0.0	3.0

Workload Justification. It is well documented that telecommunications policy is currently being driven by rapid technological changes that are national and even global in scope. This has

led to a shift from state-centric regulation to the FCC and the U.S. Congress. Since CPUC's programs and regulatory activities will be impacted by changes in federal law and policy, it makes sense that the CPUC have a presence in those federal venues involved in setting policy. Staff finds that adding at least one more position to handle federal matters is justified.

Furthermore, staff finds that a considerable amount of stakeholder involvement is required to manage the Deaf and Disabled Telecommunications Program effectively. The need to provide adequate stakeholder involvement has reduced the department's ability to monitor and review over \$60 million in payments to contractors and vendors. Staff finds that the commission needs additional staff to uphold its fiduciary responsibilities in managing the Deaf and Disabled Telecommunications Program while also providing for adequate stakeholder input into the management of the program.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Reject the Governor's proposal to redirect positions in this area.
- Add three additional positions to the Telecommunications Division for the program areas summarized in the chart above.

3. Energy Division

Governor's Budget. The Governor's budget proposes to redirect 12 positions from the payphone consumer protection program and all other energy programs to implement the Governor's climate action strategies.

The Governor's budget proposes to redirect one position from the Low-Income Oversight Board to implement advanced metering programs.

The Governor's budget proposes to redirect three positions from the payphone consumer protection program to evaluate and verify energy efficiency savings, per a recent order by the Commission to shift evaluation of the energy efficiency programs administered by the utilities to the CPUC, which is obligated to work in conjunction with the California Energy Commission (CEC).

The Governor's budget proposes to redirect two positions from non-general rate case utility rate review and small utility general rate cases to focus on general rate cases for Pacific Gas & Electric and Southern California Edison.

The Governor's budget proposes to redirect three positions from electricity reliability activities and the Low-Income Oversight Board to renewable energy and distributed generation activities.

The Governor's budget proposes to redirect two positions from the Low-Income Oversight Board to monitoring electricity procurement activities.

The CPUC is also redirecting three positions administratively (without a budget proposal) from small water rate cases and electricity cost of capital analysis to review of electricity re-powering projects.

Previous Subcommittee Direction. At the March 6 meeting of the Subcommittee, the Subcommittee requested that the CPUC provide additional information on the Energy Division, including:

- Identification of statutory mandates related to energy and a metric of the Division's ability to meet these mandates with current staffing.
- If possible, information on positions needed to support ongoing programmatic activities within the Division versus involvement in regulatory and policy proceedings before the Commission.

Commission Response. In the Commission's response to the Subcommittee, it indicates that the Energy Division currently has 95 positions. The Commission has also identified the need for 54.1 additional positions to meet its current statutory requirements and increase efforts to support the Governor's Climate Action Team. The table below shows only the areas in which the Energy Division needs additional positions.

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
Ratemaking Branch, State Electric Rates Section				
- General Rate Cases - Additional positions are needed to support general rate cases and to work on general rate design issues.	2.0	2.0	+2 (redirect)	2.0
- Other rate cases and ratemaking matters - Additional positions are needed to address other ratemaking activities, including filings to recover fuel costs and make changes to the cost of capital.	6.0	1.0	-2 (redirect)	Reject
Ratemaking Branch, State and Federal Natural Gas Section				
- Instate transmission and storage infrastructure supply adequacy.	2.0	0.0	-1 (redirect)	Reject
- Interstate transportation rates and services, LNG supply terminals - An additional position is needed to address projected workload associated with three new interstate pipelines being proposed.	0.5	1.0		1.0
- Natural gas procurement and hedging for electric generation fuel - An additional position is needed to assess the use of financial instruments in natural gas procurement.	1.0	1.0		1.0

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
Ratemaking Branch, Federal Electric Section				
- Support FERC proceedings on behalf of ratepayers of California - Additional positions needed support market redesign activities.	5.0	2.0	-1 (redirect)	1.0
- Support implementation of Energy Policy Act of 2005 - Additional positions are needed to address new workload associated with this Act.	1.5	2.0		1.0
- Participate in regional coordination and working group meetings - Additional positions are needed to participate in regional planning meetings.	1.5	2.0		1.0
Energy Resources Branch, Energy Efficiency Section				
- Energy efficiency program planning and development - One-half of a position is needed to fully participate in all advisory group meetings with utilities on their energy efficiency plans.	1.5	0.5	+0.5 (redirect)	0.5
- Evaluation, measurement, and verification of energy efficiency program impacts - Additional positions are needed to implement the commission's increased role in evaluation and measurement of utility energy efficiency programs.	1.5	2.5	+2 (redirect)	2.5
- Research and analysis, quality assurance and other activities in support of CPUC policy and oversight role - Additional positions are needed to conduct financial and management audits of utility energy efficiency programs.	0.5	1.5	+0.5 (redirect)	0.5
- Energy efficiency program implementation monitoring and reporting.	1.5	0.0	-1 (redirect)	Reject

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
- Support to other CPUC/CEC proceedings and interagency collaborative related to energy efficiency - An additional one-half of a position is needed to support work related to collaboration on energy efficiency.	0.5	0.5		0.5
- Utility performance review and risk/reward mechanism for energy efficiency - An additional position is needed to evaluate.	0.0	1.0		
Energy Resources Branch, Demand Response and Load Serving Entity Programs				
- Advanced metering programs - An additional position is needed to address other analytical and programmatic issues related to implementing advanced metering programs.	2.0	1.0	+1 (redirect)	AAB
- Community Choice Aggregation.	1.8	0.0	-1 (redirect)	AAB
Energy Resources Branch, Procurement and Resource Adequacy Section				
- Resource adequacy program oversight - An additional position is needed to evaluate and analyze filing and for enforcement of standards.	0.4	1.1		1.0
- Resource adequacy policy and program implementation - An additional position is needed to develop methods of collecting and analyzing data.	0.6	1.0		1.0
- Procurement oversight - Additional positions are needed for oversight of procurement planning.	3.0	2.0	+2 (redirect)	2.0
- Procurement policy - An additional position is needed for developing policy changes to procurement policy.	2.0	1.0		
- Procurement review groups - An additional position is needed to participate in weekly utility meeting to review proprietary market data.	2.0	1.0	-1 (redirect)	1.0

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
Energy Resources Branch, Renewable and Distributed Generation Section				
- Renewable energy to meet current Renewable Portfolio Standard - Additional positions are needed to adequately assess project viability and track project and transmission development.	2.0	3.0	+1.5 (redirect)	1.5
- Distributed generation - Additional staff is needed to manage and implement the self-generation incentive program.	2.0	3.0	+1.5 (redirect)	1.5
- California Solar Initiative - Additional staff is needed to design and implement this initiative.	2.0	2.0		2.0
Transmission Permitting and Reliability Branch, Transmission Permitting Section				
- Environmental review of project applications - An additional staff is needed to address the increased workload related to transmission projects.	6.0	1.0	-1 (redirect)	1.0
Transmission Permitting and Reliability Branch, Trans. and Dist. Reliability Section				
- Standards for operation, reliability, and safety during emergencies and disasters.	1.5	0.0	-1 (redirect)	1.0
- Reconciling traditional methods of transmission planning with development of renewable generation - Additional positions are needed to address this issue.	3.0	3.0	-1 (redirect)	1.0

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
Low Income Programs				
- Manage the CARE and LIEE programs.	3.0	0.0	-3 (redirect)	
- Other needs assessment analysis.	0.0	1.0		
- Management of the Low Income Oversight Board.	2.0	1.0		1.0
- Develop, expand, and monitor new low income programs.	0.0	1.0		1.0
- Emergency relief programs for low income parties.	1.0	2.0	-1 (redirect)	1.0
- Automatic enrollment of low income persons enrolled in other state programs.	0.0	1.0		
Total Energy		42.1	0.0	27.0

Workload Justification. Staff finds that the workload of the Energy Division has increased significantly over the past several years. Furthermore, changes since deregulation have also increased workload at the commission. For example, since deregulation, decades-old accounting practices were changed and overhead is now assigned differently in general rate cases. Regulatory work related to these cases is now more time consuming because of the new accounting practices. Furthermore, the municipal annexations in Sacramento and the southern San Joaquin area are also increasing workload for the commission.

The potential siting of a major new LNG plant off the coast of California has increased workload at the commission. The commission has responsibility for regulating quality, transportation, and storage of LNG and there are many policy and technical issues that need to be worked out before LNG can be delivered into the state's gas system.

Recent law changes at the federal government have given the Federal Energy Regulatory Commission (Commission) jurisdiction over mergers. This has increased the work and expertise needed to represent the state's interests before FERC. Furthermore, there has been an increase in work related to transmission siting and the need to participate in issue forums that impact the Western United States.

The energy efficiency decision issued by the commission late in 2005 allocated significant new responsibilities to the CEC and CPUC to directly oversee the measurement and verification of millions of dollars in energy efficiency expenditures by the utilities. The CEC has also asked for positions related to this increased activity.

The workload associated with transmission siting has increased significantly and, in many cases, is the limiting factor on progress in implementing the Renewable Portfolio Standard. Additional positions are needed to work on transmission projects that will link up renewable energy sources to the grid.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal summarized in the table above.

5. Consumer Service and Information Division

Governor's Budget. The Governor's budget proposes to redirect one position from the Commission's Southern California Outreach Program to create a small business liaison.

Redirection Impact. The impact of this redirection will be to eliminate the outreach position in the Inland Empire. There remain two outreach positions in Southern California, one in San Diego, and one in Los Angeles.

Justification. Staff finds that the commission does a considerable amount of work in the Inland Empire because of the large confluence of rail in this area. Furthermore, staff finds that the small business community has traditionally been one of the most underrepresented groups at the commission. Staff finds a small business liaison would help provide additional services and communications with the small business community.

Activity	Current Staffing	Staffing Identified to Meet Mandates	Governor's Budget	Senate Proposal
Public Advisors Office				
- Proposes to abolish public outreach in the Inland Empire.	1.0	0.0	-1 (redirect)	Reject
Small Business Liaison				
- The recent telecommunications bill of rights requires a greater focus and outreach to the small business community.	0.0	1.0	+1 (redirect)	1.0
Total Consumer Services and Information Division		1.0	0.0	1.0

Staff Recommendation. Staff recommends that the Subcommittee approve one additional position for this division.

7. California Teleconnect Program

Background. The Teleconnect Program provides telecommunications subsidies for services to schools, libraries, public hospitals, and certain community based organizations.

Governor's Budget. The Governor's budget proposes \$22 million to fund the Teleconnect Program in the budget year.

May Revision. The May Revision proposes \$4.8 million in additional Teleconnect fund monies to support additional claims that are projected to be received in the budget year.

Community Technology Centers. Legislation enacted in 2003 (SB 720, Bowen) allocated \$3 million in Teleconnect monies to a grant program that would provide grants for installation of telecommunications services. Staff understands that the CPUC was delayed in implementing this legislation. In addition, an interpretation by the commission has greatly limited those that may qualify for the services. Staff finds that community technology centers help to bridge the digital divide by providing telecommunications services to those that cannot afford to have these services at their home.

Staff Recommendation. Staff recommends that the Subcommittee take the following actions:

- Approve the May Revision proposal.
- Approve budget bill language to reappropriate \$3 million in funding provided to SB 720.